



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 831 (Substitute S-1 as reported by the Committee of the Whole)  
Sponsor: Senator Tom George  
Committee: Health Policy

## **CONTENT**

The bill would add Part 97, the "Michigan Pharmaceutical Best Practices Initiative", to the Public Health Code to allow the Department of Community Health (DCH) to implement a pharmaceutical best practices initiative. The bill would do the following:

- Require the initiative to include a preferred drug list, and a prior authorization and appeal process.
- Require a prescriber to obtain prior authorization for drugs not included on the preferred drug list, and require the DCH to give authorization for certain drugs.
- Exempt from the prior authorization process a patient who was under a court order for or whose condition had been stabilized under a particular drug or drug regimen before becoming a Medicaid recipient.
- Allow the DCH to establish disease management and health management programs that would be provided by a pharmaceutical manufacturer, instead of a supplemental rebate for the inclusion of its products on the preferred drug list; and require the DCH to report on the effectiveness of the programs and the savings incurred.
- Provide for the membership of the Michigan Pharmacy and Therapeutics Committee and require it to assist the DCH with certain functions.

Proposed MCL 333.9701-333.9711

Legislative Analyst: Julie Koval

## **FISCAL IMPACT**

The Michigan Pharmaceutical Best Practices Initiative was implemented in FY 2001-02 after language was included in the annual appropriations act for the Department of Community Health allowing the DCH to propose changes to pharmacy policies for Medicaid recipients not enrolled in Medicaid HMOs. Nearly \$43 million in savings was assumed in the FY 2001-02 budget due this provision, and it is believed that the savings have largely been achieved.

The bill would codify current policy pertaining to the Michigan Pharmaceutical Best Practices Initiative, but it appears that the bill would further restrict prior authorization, specifically for drugs prescribed for off-label use. The DCH Medicaid Provider Manual states that drugs prescribed for off-label use are not be covered unless there is a generally accepted medical indication in peer-reviewed literature or a listing of such use in standard pharmaceutical references. The bill would add to this restriction by requiring that drugs be prescribed consistent with their licensed indications. This would effectively prohibit any drugs being prescribed for off-label purposes from obtaining prior authorization. It is unknown how many drugs not on the preferred drug list are being obtained through the prior authorization process and used for off-label purposes. To the extent that this provision would reduce the amount of these types of drugs being prescribed, the bill could lead to an indeterminate amount of savings of Medicaid prescription drug expenditures.

The bill would have no fiscal impact on local units of government.

Date Completed: 6-9-04

Fiscal Analyst: Dana Patterson